

Annual Report



2004

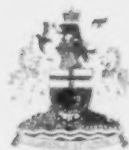
Providing
Communication
Solutions
for the
Future.

Mail Management Agency
Special Operating Agency
Of Transportation &
Government Services

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MINISTER'S LETTER



MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 207
Legislative Building
Winnipeg, Manitoba, R3C 0V8
RW 007

July 14, 2004

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Eighth Annual Report of Mail Management Agency for the year ended March 31, 2004.

For the past 48 years, Mail Management Agency and its predecessor, Postal Services Branch, have provided correspondence distribution and finishing services primarily within the provincial infrastructure, and in recent years as a Special Operating Agency to the broader public sector.

Mail Management continues to seek out innovative solutions within its mandate to ensure that services exceed or meet the forefront of its industry. As an Agency, it continues to strive to meet and exceed the expectations of its stakeholders.

Respectfully submitted,

Ron Lemieux
Minister Responsible for
Mail Management Agency



DEPUTY MINISTER'S LETTER

Manitoba

Deputy Minister of
Government Services



332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 14, 2004

Honourable Ron Lemieux
Minister Responsible for
Mail Management Agency
Transportation and Government Services
Room 203 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

Please accept for your consideration the Eighth Annual Report of Mail Management Agency (MMA) for the year ended March 31, 2004.

Mail Management endeavours to ensure that customer service, productivity improvement and employee development are at the forefront of its initiatives. Building on this foundation enables the Agency to continue to meet and exceed client expectations.

The Agency continues to face a future of significant technological change. A change the Agency has met by introducing innovative services that have enhanced the government's ability to communicate in an efficient, low cost manner.

I am pleased with the operating achievements of Mail Management Agency and encouraged by the commitment of its employees.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Gerry Berezuk".

Gerry Berezuk
Deputy Minister of Government Services
Chairperson of the MMA Advisory Board

CHIEF OPERATING OFFICER'S LETTER



200 Vaughan Street
Winnipeg MB R3C 1T5
Phone: 945-2820, Fax: 945-5753

From the Chief Operating Officer

The 2003/04 fiscal year proved to be a successful year for the Agency. Implementation of rate changes, effective time management and increased production, contributed to a positive bottom line. Revenue was higher than projected in three of the five lines of business.

As government continued to manage its expenditures, Agency volumes were impacted, resulting in decreases in Mail Finishing and the Mail Processing lines of business.

The Agency recognizes that customer needs continue to change, and it is continually positioning itself to develop and promote services that assist clients in meeting their goals. In the past year, the Agency worked closely with a large client which resulted in a multi-year print contract. Opportunities like this build a stronger bond between clients and the Agency, fostering opportunities that may not have existed in the past.

As always, staff at the Agency have been called upon to adapt to a changing environment and, as in the past, they have come forth and met the challenge.

I would like to extend my sincere appreciation to those that have contributed to and supported Mail Management Agency, particularly our staff and clients.

A handwritten signature in cursive script that reads 'Greg Bowers'.

Greg Bowers
A/Chief Operating Officer



ADVISORY BOARD

The Advisory Board's role in support of the Agency is to offer advice and direction on short-term strategic planning, management, and reporting as well as on issues of concern to our clients. The Board meets quarterly to review the Agency's financial reports, and annually to review the Business Plan, Annual Report, and any planned changes to the Agency Charter.

Members of Mail Management's Advisory Board as of March 31, 2003, are listed below

CHAIR

Gerry Berezuk
Deputy Minister
Government Services

MEMBERS

PRIVATE SECTOR REPRESENTATIVE

Randy Manikel
RIO Management & Consulting Ltd.

CLIENT REPRESENTATIVE

Dave Wotten
Assistant Deputy Minister
Manitoba Conservation

CLIENT REPRESENTATIVE

John Hosang
Assistant Deputy Minister
Manitoba Transportation &
Government Services

STAFF REPRESENTATIVE

Paige Mills
Postal Clerk - Interdepartment Mail
Mail Management Agency

EX-OFFICIO

Greg Bowers
A/Chief Operating Officer
Mail Management Agency

EX-OFFICIO

Tracey Danowski
A/Assistant Deputy Minister
Transportation & Government Services

AGENCY MANAGEMENT

GREG BOWERS

A/Chief Operating Officer

MIKE LANGENFELD

A/Marketing Systems

SHERRY HUFF

A/Operations Manager

LYNDONNASCHILLING

Accounting

AGENCY PROFILE

Historical Perspective

Mail Management Agency became a Special Operating Agency on April 1, 1996. Its history lies in that of the Postal Services Branch, its predecessor. The Postal Services Branch was responsible for centralized postal management within the Manitoba Government. It included coordinating the pick-up and delivery of correspondence, distribution of interdepartmental mail, affixing the most economical postage for correspondence to the general public and allocating these costs to the originating program, evaluating Postal requirements, managing the franking privileges of members of the Legislative Assembly and negotiating and entering into contracts to reduce postage and equipment costs to Government.

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Postal Service began as a Branch in 1956 and throughout the years grew from one facility to as many as twelve. During its growth it developed a mail delivery system, using government owned vehicles, that provided a high degree of reliability. As technology and alternate sources of delivery improved, use of government owned vehicles were phased out and the number of postal satellites was reduced.

In the late 1980's to early 1990's, Postal Services became more accountable and service oriented. A computerized mail management system was purchased to recover postage costs from users. Postal Services subsequently assumed responsibility for the Department of Highways' postal operation and the Queen's Printer mail preparation services that included inserting and folding.

During the 1996/97 year, Mail Management Agency began to position itself as the most cost effective and efficient alternative. The Agency realigned its main facility, organization structure, systems, and its method of operation to assist it in its thrust of meeting or exceeding the expectations of its existing and future clients.

The 1997/98 year introduced a marketing position to the organization. As a result, the Agency developed an improved profile amongst its customers. Client presentations were performed and response time to customer inquiries was greatly improved.



Mission

The mission of Mail Management Agency is to enable clients to expedite their products, information and correspondence through the most appropriate distribution alternative.

The following business principles and values support the mission of the Agency:

- to create service solutions for Government that contribute to affordable program delivery and ultimately to its bottom line;
- to develop, through provision of superior service at reasonable cost, lasting, mutually satisfactory business relationships;
- to develop mutually agreeable business relationships with suppliers by ensuring all are extended access to tender documents, by paying open accounts promptly, and generally demonstrating good business ethics;
- to remain a good corporate citizen by complying with all the laws and regulations and by promoting measures to eliminate or minimize risks to the environment;
- to provide a safe working environment for all employees in compliance with ongoing Workplace Health and Safety regulations;
- to encourage and acknowledge special levels of employee accomplishments through recognition and rewards;
- to continue to train and develop employee skills and talents through career planning and educational support;
- to provide employees with clear objectives and direction on how they may be attained;
- to stress team building while recognizing individual effort within team frameworks;
- to encourage innovative ideas and promote creative thought;
- to jointly establish individual performance goals and conduct impartial appraisals on their degree of attainment; and
- to remain an employer of choice.

Goals and Objectives

The long-term goal of Mail Management Agency is to become the selected distributor of products, information and correspondence. In support of this goal, management and staff of the Agency have defined the following objectives that are critical to the long-term success of the Agency:

- to ensure that the cost of postage for Mail Processing, Mail Finishing, and Interdepartment Mail are minimized and that mail is expeditiously processed in a timely manner;
- to consolidate all Manitoba Government existing and dispersed departmental mail operations into one corporate process which will eliminate duplication of services, staff, equipment and space usage;
- to develop clients outside the Provincial Government, e.g. Interdepartment Mail for the City of Winnipeg, Federal Government offices in Manitoba, and Universities in Winnipeg;
- to provide guidelines to government in the processing of all related mail products and services and to establish standards and procedures for the efficient handling of government mail; and
- to develop other correspondence handling service solutions which are beneficial and cost effective for the corporate entity.

AGENCY PROFILE

Products and Services

MMA services are expanding to encompass the broader demands associated with communications. The existing Finishing, Processing, Interdepartment Mail, and Contract Administration components were augmented with *electronic* Mail Management (eMM) printing, beginning the process of transforming MMA into a one-stop shop for communication services. Providing these additional services at one location will enable MMA to more fully address their clients' current and future needs.

PROCESSING – Line of Service:

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METERED	Standard and oversized Letter mail processed with ink stamp impressions (metered dollar impressions) through high speed mail machines.
PERMIT	Standard and oversize Lettermail that are pre-printed with indicia (Canada Post deposit account numbers), and are prepared for Canada Post with the use of a numerically controlled Statement of Mailing (SOM) document. SOM's are used for items such as Addressed Admail, Unaddressed Admail, Publication Mail, and Lettermail.
XPRESSPOST CERTIFIED MAIL	Numerically controlled envelopes that are processed with an acknowledgement of receipt card that is returned to the sender upon successful completion of delivery.
REGISTERED MAIL	Traceable, barcoded mail that is scanned upon entry into the mail stream, signed for and scanned at the point of delivery. Delivery information and a scanned signature are available from the Canada Post website.
OTHER	All other mail processing services not included in the above, including courier, parcels, business reply mail, postage cheques, and proof of delivery signatures.

FINISHING – Line of Service:

ADDRESSING	High speed machine addressing of envelopes and labels. Used in conjunction with incentive mail software programs that allow the Agency to sort addresses directly to Canada Post forward sortation areas or actual letter carrier walks. In doing so, MMA garners significant postage savings for its customers.
BURSTING	High-speed machine separation of various types of continuous sheet forms.
FOLDING	High-speed machine folding of various types of cheques, paper documents, and government forms.
INSERTING	High speed inserting of paper document various types of cheques, paper documents, and government forms.
MANUAL INSERTING	Grouping items of unusual type and design into containers specific to each unique project. Activities of this nature range from inserting specific matching items into envelopes or assembling convention kits that include CDs, pens, pins, etc. Each of these tasks is performed manually.



AGENCY PROFILE

Products and Services

INTERDEPARTMENT MAIL – Line of Service:

Daily pick up and delivery of items between government departments at designated locations.

The classification of service is as follows:

SMALL ENVELOPE Reusable interdepartment envelopes, the approximate size of a standard # 10 letter mail envelope.

FLAT Large reusable interdepartment envelopes approximately 15" x 11".

SMALL PARCEL Containers that can be up to 11 lbs. in weight and a maximum size of 11" x 8.5" x 4.5".

LARGE PARCEL Items larger than the above categories that weigh at most 60 lbs. and can be carried by the Agency's contract couriers.

CONTRACT ADMINISTRATION – Line of Service:

The tendering for, and management of, the best possible courier and parcel rates for use within MMA Processing and Interdepartment services, and by the broader public sector clients who ship directly from their own facilities.

eMM PRINTING – Line of Service:

MMA's print services enable its clients to bundle their communications needs and have them provided more efficiently from a single central source. The print service provide clients with "just-in-time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing, and Interdepartment mail sections.

VARIABLE DATA Merging of clients address list to a letter or form, and printing the document at high speed. When appropriate, adding barcodes to allow intelligent inserting to assist in achieving incentive postal rate savings.

QUICK COPY Printing multiple copies of a generic document on high speed printers.

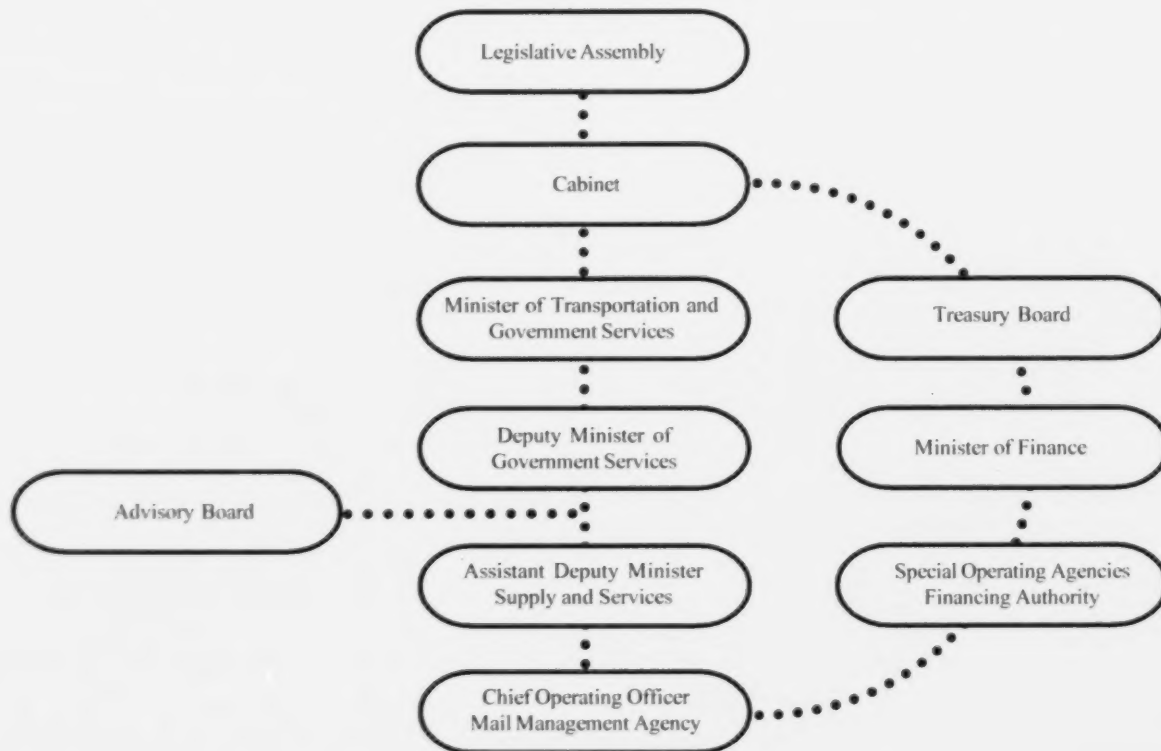
AGENCY PROFILE

Structure

Mail Management Agency is a Special Operating Agency within Manitoba Transportation and Government Services that is accountable to the Deputy Minister for operational and financial performance.

The Agency operates outside the Consolidated Fund under the Special Operating Agencies Financing Authority, which holds the Agency's assets, provides financing for operations, and is responsible for its liabilities.

The accompanying chart identifies Mail Management's accountability within the established structure.



PERFORMANCE REVIEW

The Agency, in its 2003/2004 Business Plan, identified certain quantitative and qualitative critical success factors that serve as targets that reflect the Agency's progress to becoming a successful operating entity. The following are the targets and their results for the year ending March 31, 2004.

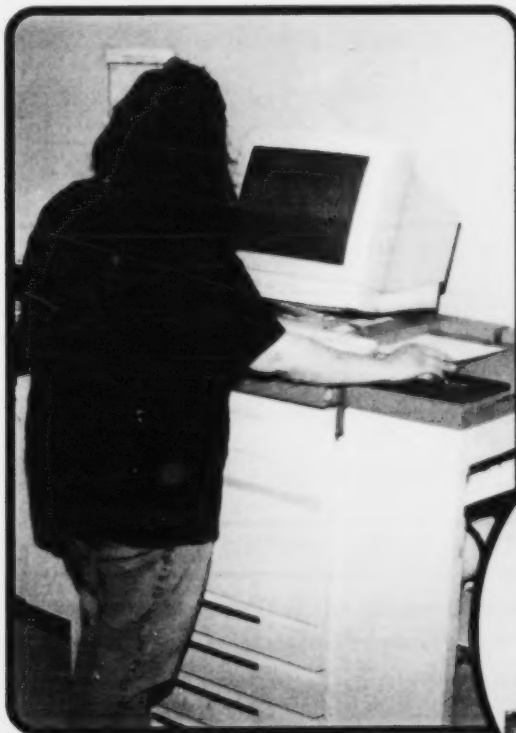
Product Pricing Methodology

The Agency continued a process begun in the prior fiscal year establishing a pricing model that better reflected the cost associated with each activity. Rate increases to products and services that were not making a fair contribution were adjusted.

Organizational Development

A review of existing standards was performed resulting in the creation of reports that accurately reflect performance in the Processing and Finishing lines of business. Reports are being distributed to employees on a monthly basis providing them with essential feedback which assists the employees, and their direct reports to assess their performance. The standards will be an asset when used in future performance evaluations.

The annual training schedule was adhered to including providing customer service training for the majority of staff. As well, ongoing assistance was provided for an employee who is very close to completing their accounting degree. Cross training of production staff occurred throughout the year.



Capital Plan

The Agency replaced an obsolete folder in the first quarter which provided higher throughput and greater functionality while reducing down time for maintenance.



PERFORMANCE REVIEW

To Meet or Exceed Key Performance Indicators

Volumes (000's)

	Actual 2002/03	Actual 2003/04	Projected 2003/04	Variance to Actual 2002/03	Variance to Actual 2002/03 %	Variance to Projected	Variance to Projected %
Processing	10,241.5	9,134.2	10,269.0	(1,107.3)	(10.8%)	(1,134.8)	(11.1%)
Finishing	17,275.7	15,115.2	17,749.0	(2,160.5)	(12.5%)	(2,633.8)	(14.8%)
Interdepartment	2,551.9	979.9	2,025.0	(1,572.0)	(61.6%)	(1,045.1)	(51.6%)
Printing	1,375.6	1,563.3	1,104.0	187.7	13.6%	459.3	41.6%
Total	31,444.7	26,792.6	31,147.0	(4,652.1)	(14.8%)	(4,354.4)	(14.0%)

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Please note: The 2002/2003 volumes for Interdepartment mail included incoming federal mail volumes. The 2003/2004 volumes are based on actual sales volumes and do include the federal mail volumes.

Paid Full Time Equivalents (FTEs)

	Actual 2002/03	Actual 2003/04	Projected 2003/04	Variance to Actual 2002/03	Variance to Actual 2002/03 %	Variance to Projected	Variance to Projected %
Processing	5.30	4.61	5.00	(0.69)	(13.0%)	(0.4)	(7.8%)
Finishing	6.06	5.79	5.20	(0.27)	(4.4%)	0.6	11.3%
Interdepartment	6.83	6.18	6.00	(0.65)	(9.5%)	0.2	3.0%
Printing	0.18	0.38	0.30	0.20	107.8%	0.1	26.7%
Admin	5.71	6.88	7.00	1.17	20.5%	(0.1)	(1.7%)
Total	24.08	23.84	23.50	(0.24)	(1.0%)	0.3	1.4%

Productivity per Working FTE Hour

	Actual 2002/03	Actual 2003/04	Projected 2003/04	Variance to Actual 2002/03	Variance to Actual 2002/03 %	Variance to Projected	Variance to Projected %
Processing	1,196	1,205	1,129	10	0.8%	76.4	6.8%
Finishing	1,765	1,680	1,876	(85)	(4.8%)	(196.2)	(10.5%)
Interdepartment	231	96	184	(135)	(58.3%)	(87.7)	(47.7%)
Printing	4,654	1,351	2,022	(3,303)	(71.0%)	(670.9)	(33.2%)
Total	7,845	4,333	5,211	(3,513)	(44.8%)	(878.4)	(16.9%)

These targets measure three mutually exclusive items: total productivity volume, total paid hours, and productivity per working hour. The difference between the latter categories is that paid hours include vacations, sick leave, and other leaves, whereas working hours specifically reflects hours handling product.

Volumes for Interdepartment mail and Printing were up considerably which had a positive affect on the Agency's bottom line. Processing and Finishing volumes decreased, however, approved rate increases in the product lines offset any revenue loss that may have occurred.

PERFORMANCE REVIEW

The Interdepartment label sales volume improved by 13.1% over the prior year. The sales volume increase, combined with the rate increase improved revenue for this line of business by 30.2%.

eMM Printing volumes increased by 13.6%, due in part to completing the integration of a large client's print volumes. Promotion of the Printing service has contributed to increasing the amount of one-time and annual jobs that are now being performed.

Paid full time equivalents were reduced by approximately 0.25 of an FTE and overall salaries changed minimally. The Agency was able to obtain these results by closely monitoring volumes and adjusting staff levels to provide exceptional service with a minimum number of staff. Leasing expenses were reduced significantly through the negotiation of a new lease for printing equipment.

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FINANCIAL HIGHLIGHTS

Highlights

	<u>2003/04</u>	<u>2002/03</u>
	<u>(000's)</u>	<u>(000's)</u>
Total Revenue	\$6,468	\$6,574
Postage Expense	\$4,847	\$5,045
Salaries & Benefits	\$945	\$948
Operating Expenses	\$576	\$598
Total Income	\$100	(\$17)
Interest	\$17	\$18
Net Income	\$83	(\$35)

Ratios

	<u>2003/04</u>	<u>2002/03</u>
Return on Total Revenue	1.28%	(0.53)%
Return on Assets	6.13%	(0.03)%
Return on Equity	21.34%	(11.44)%
Debt to Equity	2.48:1	3.26:1
Current Ratio	1.22:1	1.09:1

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Agency closed the year with a profit of \$83.0 on \$6,468.0 in gross revenue. This is a substantial improvement over 2002/03. Rate adjustments and increased productivity per hour are the primary reason for the improvement.

Significant Events in 2003/2004

New rates were in place for the full fiscal year and helped to improve the bottom line. Adjusting staffing levels to meet the work flow helped to reduce the impact of the negotiated salary increases. As well, the Agency's Chief Operating Officer left the Agency in the beginning of the third quarter of 2002 with the position being filled on a rotational basis by the Marketing/Systems manager and the Operations manager.

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Improvements to the management information system have allowed the Agency to perform trend analysis on each line of business. The ongoing trend analysis has allowed Operations to utilize employees more effectively and to schedule vacations around workloads.

Marketing efforts focused on promoting the eMM digital print function and participating in a multi Agency seminar. The seminar was a success and garnered interest and business for the Agency. Efforts at promoting the digital print line of business contributed to a 13.6% increase in volumes and netted a profit for the first time. The sales

cycle in variable data digital printing has proven to be a long one. The increase in print volumes was attributable to the cross year implementation of a large volume job.

Net Income

Mail Management posted a profit for the fifth time in its eight year history. The \$83.0 profit is primarily attributed to the rate increases in the IDM product line, increases in print volumes, and the ongoing efficient utilization of staffing resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue From Operations

Mail Processing

Mail processing revenue decreased by 4.9% to \$5,350 when compared to the prior year. The difference in revenue, in part, is due volume loss brought on by departmental expenditure reductions.

Mail Finishing

Finishing revenue increased by 2.3% to \$360.0 while volumes dropped by 12.5%. The loss of volume was offset by rate increases to jobs that were in the lower volume bands. As well, a large job that would normally be processed in the first quarter was completed early and billed in the fourth quarter of 2002/03.

Interdepartment Mail

Revenues compared to the prior year were up 30%. A variety of factors affected the outcome in this product line. Rate increases that were implemented in the beginning of 2003/04, and increased label sales resulted in a \$135.0 increase in revenue.

Printing

Printing volumes improved by 13.6% over the prior year; 41.6% higher than projected. Several large unexpected one-time projects were performed and the integration of a major clients printing program was completed in the second quarter. Once the integration was completed and jobs were received on a regular basis, it was apparent that the volumes would be much higher than projected.

Contract Management

The revenues from this service was \$1.0 lower than the prior year. Over 900 clients access this service and, each year, the amount of clients signing up is in excess of 5%. Revenue increased by 26.3% in 2002/03 reaching an all time high of \$61.0.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Expenses

The largest component of the Agency's operating cost remains postage at \$4,847. Postage expenditures decreased by \$198.0 or 4.1% over the prior year. The decrease in postage was primarily due to a 10.8% reduction in the volume of items being mailed.

Labour represented the second largest expense for the Agency. A 0.25% increase occurred in 2003/2004 bringing salaries to \$808.0 before benefits. The increase in salary expense related directly to a general salary increase.

Several pieces of equipment that were at end of life were replaced and in one instance the lease on the replacement equipment was less than the previous lease. The net result was a reduction in the amount spent on leased equipment by \$41.0.



RESPONSIBILITY OF FINANCIAL REPORTING

MARCH 31, 2002

**Mail Management Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting**

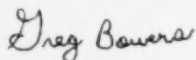
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The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The Exchange Group - Chartered Accountants, independent external auditors, has audited the financial statements.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

An Advisory Board is available to meet, as required, with management to review accounting practices, financial reporting and to discuss audit results. During the year, management met once with the Advisory Board. The auditors have free and full access to this Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

Greg Bowers
A/Chief Operating Officer



June 2, 2004

MAIL MANAGEMENT AGENCY

Financial Statements

Year Ended March 31, 2004





THE EXCHANGE

chartered accountants LLP

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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Mail Management Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

chartered accountants LLP

Winnipeg, Manitoba
May 11, 2004

MAIL MANAGEMENT AGENCY

Balance Sheet
(In Thousands)

March 31, 2004

	2004	2003
ASSETS		
CURRENT		
Accounts receivable	\$ 835	\$ 763
Prepaid expenses	162	121
	<u>997</u>	<u>884</u>
DUE FROM PROVINCE (Note 3)	124	124
FIXED ASSETS (Notes 2, 4)	232	283
OTHER ASSETS (Notes 2, 5)	-	12
	<u>\$ 1,353</u>	<u>\$ 1,303</u>
LIABILITIES		
CURRENT		
Working capital payable (Note 6)	\$ 483	\$ 631
Accounts payable	296	137
Current portion of capital lease obligation (Note 9)	38	40
	<u>817</u>	<u>808</u>
SEVERANCE LIABILITY (Note 7)	75	76
CAPITAL LEASE OBLIGATION (Note 9)	72	113
	<u>964</u>	<u>997</u>
EQUITY		
Contributed surplus (Note 11)	51	51
Retained earnings	338	255
	<u>389</u>	<u>306</u>
	<u>\$ 1,353</u>	<u>\$ 1,303</u>

MAIL MANAGEMENT AGENCY
Statement of Income and Retained Earnings
(In Thousands)
Year Ended March 31, 2004

	2004	2003
REVENUE		
Mail processing	\$ 5,350	\$ 5,611
Mail finishing	360	352
Printing	112	100
Contract administration	60	61
Inter department mail	585	450
Other	1	-
	<u>6,468</u>	<u>6,574</u>
EXPENSES		
Amortization	90	79
Communications	8	10
Courier	155	147
Employee benefits	137	142
Equipment rental and maintenance	67	72
Interest and bank charges	17	18
Leases	23	65
Miscellaneous operating	35	24
Network	24	26
Occupancy	116	115
Office	34	28
Postage	4,847	5,045
Professional fees	3	7
Salaries	808	806
Sub-contracts	21	25
	<u>6,385</u>	<u>6,609</u>
NET INCOME (LOSS)	<u>83</u>	<u>(35)</u>
RETAINED EARNINGS - BEGINNING OF YEAR	<u>255</u>	<u>290</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 338</u>	<u>\$ 255</u>

MAIL MANAGEMENT AGENCY

Statement of Cash Flow (In Thousands)

Year Ended March 31, 2004

	2004	2003
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 6,396	\$ 6,427
Cash paid to suppliers and employees	(6,166)	(6,721)
Cash flow from (used by) operating activities	230	(294)
INVESTING ACTIVITY		
Additions to fixed assets	(39)	(193)
Cash flow used by investing activity	(39)	(193)
FINANCING ACTIVITY		
Capital lease obligation	(43)	126
Cash flow from (used by) financing activity	(43)	126
INCREASE (DECREASE) IN CASH FLOW	148	(361)
Deficiency - beginning of year	(631)	(270)
DEFICIENCY - END OF YEAR	\$ (483)	\$ (631)

MAIL MANAGEMENT AGENCY

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

1. DESCRIPTION OF OPERATIONS

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management.

Effective April 1, 1996, the Postal Service was renamed Mail Management Agency (MMA) and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

MMA is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from MMA operations. It finances MMA through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to the public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to MMA to manage and account for MMA related assets and operations on behalf of the Financing Authority.

MMA continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

MMA remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Fixed Assets

Fixed assets are recorded at cost and are amortized annually at the following rates and bases:

Production equipment	20%	declining balance method
Computer equipment	20%	straight-line method
Capital lease		lease term straight-line method

Other Assets

Other assets are recorded at cost and are amortized at the following rate on a straight-line basis:

Computer conversion	over 5 years
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MAIL MANAGEMENT AGENCY

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

3. DUE FROM PROVINCE

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of Mail Management Agency prior to its designation as a Special Operating Agency. It also includes severance pay benefits earned by the employees to March 31, 1998. The balance is comprised of:

	2004	2003
Vacation entitlements	\$ 60	\$ 60
Severance pay benefits	64	64
	<u>\$ 124</u>	<u>\$ 124</u>

The receivable, or portion thereof, for Mail Management Agency will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

4. FIXED ASSETS

	Cost	Accumulated amortization	2004 Net book value	2003 Net book value
Production equipment	\$ 332	\$ 221	\$ 111	\$ 121
Computer equipment	7	5	2	3
Capital lease	189	70	119	159
	<u>\$ 528</u>	<u>\$ 296</u>	<u>\$ 232</u>	<u>\$ 283</u>

5. OTHER ASSETS

	Cost	Accumulated Depreciation	2004 Net Book Value	2003 Net Book Value
Computer Conversion	\$ -	\$ -	\$ -	\$ 12

6. WORKING CAPITAL PAYABLE

MMA has an authorized line of working capital advances of \$1,500 of which \$1,017 is available as at March 31, 2004.

MAIL MANAGEMENT AGENCY

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

7. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance at April 1, 1998 of \$89 was completely offset by a receivable from the Province.

An actuarial report of the Agency's severance as at March 31, 2000 was restated to \$75 as a result of the actuarial valuation. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be \$75 as at March 31, 2004 (2003 - \$76).

8. THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding \$50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of \$50:

<u>Name</u>	<u>Position</u>	<u>2004</u>	<u>2003</u>
Greg Bowers	Acting Chief Operating Officer	\$ 58	\$ 54

MAIL MANAGEMENT AGENCY

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

9. CAPITAL LEASE OBLIGATION

	2004	2003
Pitney Bowes capital lease bearing interest at 2.37 % per annum, repayable in quarterly instalments of \$2 blended principal and interest. The capital lease ends on January 31, 2006 and is secured by high speed mailing machine.	\$ 14	\$ 21
Xerox Canada capital lease repayable by a fixed annual contract fee of \$24. The capital lease ends on January 30, 2008.	71	95
DeLage Landen capital lease repayable in quarterly payments of \$2. The capital lease ends on December 31, 2006.	25	37
	110	153
Amounts payable within one year	(38)	(40)
	\$ 72	\$ 113
Principal repayment terms are approximately:		
2005	\$ 38	
2006	43	
2007	29	
	\$ 110	

10. COMMITMENT

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (200 Vaughan Street, Winnipeg; 405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2004 were \$116, whereas charges for the year ended March 31, 2003 were \$115.

11. CONTRIBUTED EQUITY

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of fixed assets valued at \$102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Agency is responsible to repay Special Operating Agencies Financing Authority the debt portion in the amount of \$51 (being one-half of the value of the assets) and to record the balance of \$51 (being one-half of the value of the assets) as Manitoba's equity in the Financing Authority as related to the Agency's operations. The debt portion has been repaid.

MAIL MANAGEMENT AGENCY

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2004

12. FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

13. SUBSEQUENT EVENT

The Province of Manitoba has announced, on April 19, 2004, of its intention to merge Driver Vehicle Licensing (DVL), currently operating as part of a Transportation and Government Services, with Manitoba Public Insurance (MPI). As at the date of release of the financial statements, it is unknown whether DVL will continue using the mailing services of Mail Management Agency. For the year ended March 31, 2004, DVL utilized \$880 (2003 - \$838) in services, of which \$105 (2003 - \$91) was directly related to the contribution margin of Mail Management Agency.
